BC200-2

World Financial Markets

Morgan Guaranty Trust Company of New York

September/October 1985

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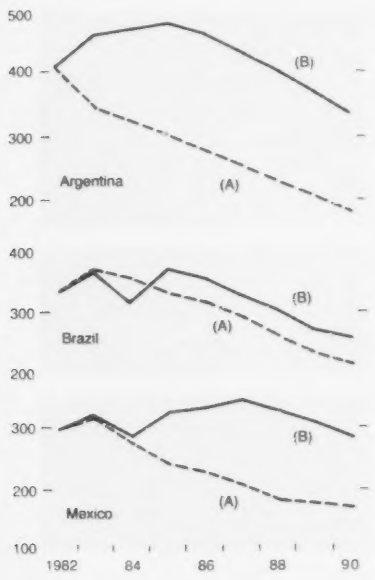

Strengthening the LDC debt strategy

Events of the past twelve months raise questions about the fundamental achievements and future of the cooperative international strategy that has been pursued toward the LDC debt problem. The strategy has had three main prongs: in the industrial countries, sustained and noninflationary economic growth to provide both expanding markets for LDC exports and a substantial fall in international interest rates; in the developing countries, improved resource allocation, reduced inflation, increased exports and domestic savings; and in international capital flows, resumption of net inflows to the debtor countries on the basis of adjustment programs sponsored by the International Monetary Fund. The strategy was medium-term in concept. It was hoped that three or four years would see the Fund's mission accomplished, after which capital needs of the rescheduling countries would once again begin to be provided voluntarily by the markets.

Three years now have passed. The strategy has worked well in correcting the external deficits of the rescheduling countries and in protecting the international banking system. Economic growth in the industrial countries helped debtor countries expand export volume while at the same time allowing most of them some degree of domestic economic recovery. Several countries have secured multiyear restructuring of their bank debt, received infusions of funds from the banks and the IMF, and strengthened their reserve positions. For their part, the banks have substantially bolstered their capital base and have lowered significantly the ratios of their claims on troubled countries to their capital.

The strategy, however, has been less successful in other critical ways. Per capita incomes in the rescheduling countries, although no longer falling, remain on average as much as 10% below precrisis levels (see Table 1). Terms of trade have not improved. The projected decline of external debt-to-exports ratios has not materialized (see Chart 1). The share of export earnings taken up by interest payments has declined little, despite a sharp drop in dollar interest rates. Domestically, basic reforms have been slow in coming. Inflation has risen stubbornly in many cases. And private-sector activity has borne the brunt of adjustment, depressing confidence and productive investment. As a result, capital flight from some LDCs, although smaller than before, still offsets much of the new credit inflow.

It is understandable that a sense

Table 1

Economic growth

	Real GDP growth percent per annum		Percent change in GDP per capita from 1980-81 peak to 1985
	1984	1985	
Argentina	2.0	—4.0	—17.1
Brazil	4.5	5.0	—5.6
Chile	6.3	1.0	—14.4
Ecuador	4.1	2.5	—6.3
Mexico	3.5	2.5	—9.4
Peru	4.5	3.5	—13.7
Venezuela	—1.8	0.5	—17.1
Nigeria	—0.4	0.0	—25.0
Philippines	—5.3	—3.0	—14.1
Yugoslavia	2.0	3.0	1.5
10 major debtors	2.6	1.9	—9.8

of frustration has taken hold, the more so amid the uncertain outlook for world economic growth, the rise of protectionism, and the weakness of commodity prices. Thus it is tempting to call for grandiose schemes positing the large-scale availability of official money, but such schemes can only raise expectations that are sure to go unmet. Equally unhelpful are proposals for debt forgiveness and the partly or fully automatic capitalization of interest, let alone more drastic, unilateral steps on the part of the debtors. The resulting losses to creditors would defer yet further into the future the restoration of debtor's access both to short-term trade credit and to longer-term foreign loan and equity capital for domestic investment.

Clearly, the cooperative approach has to be given more time and its execution has to be improved, recalling that the prime objectives are the return of adequate economic growth in the rescheduling countries and the normalization of their access to foreign credit. This article endeavors to assess what the strategy has accomplished, to review its weaknesses, and to identify how it can be strengthened.

Table 2

Seven major industrial countries' imports

changes from 1983 Q1 to 1985 Q1
billions of dollars at annual rates and percent

	Imports from					
	All LDCs		Latin America		Ten major debtors*	
	$	%	$	%	$	%
United States	26.7	29	10.2	32	9.0	28
Canada	1.5	23	0.2	6	0.3	10
Japan	—3.5	—4	—1.2	—20	—1.4	—20
Europe four	—9.7	—9	—1.3	—9	1.0	5
Germany	—1.8	—6	—0.2	—4	0.7	10
France	—6.3	—22	—0.9	—26	—0.4	—8
United Kingdom	—0.3	—2	0.2	9	0.3	12
Italy	—1.3	—4	—0.3	—8	0.4	6
Total of seven	15.0	5	7.9	14	8.9	14

*Argentina, Brazil, Chile, Ecuador, Mexico, Peru, Venezuela, Nigeria, Philippines, and Yugoslavia.

The strategy's broad results

Central to the LDCs' balance of payments improvement and the amelioration of their debt problems has been the recovery of economic activity in the industrial countries. Following the 1980-82 recession, OECD real GNP rose 2.5% in 1983 and jumped nearly 5% in 1984. However, expansion was grossly unbalanced, since monetary policies were generally held tight and only the United States pursued a stimulative fiscal policy. Still, the vigor of U.S. import demand underwrote a 2% gain in world trade volume in 1983 and a further increase of nearly 9% in 1984. Abetted by the dollar's strength, U.S. imports from all countries have risen since the recession by 41% in value and 46% in volume, comparing the first half of 1985 with the second half of 1982. In the same periods the overall imports of Japan and Europe also have risen in volume terms, but only by about 16% and 21%, respectively. Overall, import volume growth of the seven major industrial countries through the first quarter of 1985 averaged 37% over the same period in 1983. The average import value increase of 12% in dollar terms was substantially less, due to low inflation and the strength of the dollar.

Collectively, the ten major rescheduling countries (Argentina, Brazil, Chile, Ecuador, Mexico, Peru, Venezuela, Nigeria, the Philippines, and Yugoslavia) scored a slightly larger gain (14%) in the value of their exports to the principal industrial countries in the same two-year period. Individual experiences varied greatly: Brazil's sales rose more than 40% whereas Chile's were off some 8%. For the group (referred to as the ten major debtors) the 28% increase in sales to the United States was larger than the total rise in sales to the major industrial countries; sales to Europe were up less than

Table 3

Trade and current account performance

cumulative balances, in billions of dollars

	Merchandise trade balance		Current account balance	
	1980-1982	1983-1985	1980-1982	1983-1985
Argentina	2.1	11.7	—11.8	—7.0
Brazil	—0.8	31.8	—40.8	—7.5
Chile	—3.4	2.0	—9.0	—4.7
Ecuador	0.6	3.0	—2.8	—0.6
Mexico	—1.4	34.0	—26.0	9.3
Peru	—0.1	2.3	—3.3	—1.5
Venezuela	18.8	20.5	4.5	10.3
Nigeria	7.5	4.9	—8.0	—5.5
Philippines	—6.8	—3.6	—7.2	—4.5
Yugoslavia	—11.5	—2.6	—5.6	1.7
10 major debtors	4.9	103.9	—110.1	—10.0

5%, while those to Japan fell 20%. For Latin American countries, the disproportion in export sales to the United States vis-à-vis those to Europe or Japan was even more pronounced: their U.S. sales climbed 32%, while those to Europe sagged 9% and to Japan plummeted 20% (see Table 2).*

Following the debt crisis, the debtor countries generally realized the need for constructive policy response. Their balance of payments adjustment proved surprisingly swift. By the end of this year, the ten major debtors will have shown a combined three-year, cumulative trade surplus of about $104 billion, whereas in 1980-82 they were in virtual equilibrium (see Table 3). Their aggregate current account deficit during 1983-85 should approach $10 billion, an improvement of $100 billion over the preceding three-year period.

The gains in debtor-country trade balances have accrued mainly from import savings. The combination of currency depreciation and intensified controls achieved extraordinary compression of imports: real GDP of the ten major debtors currently averages about the same as in 1980-81, but the volume of their merchandise imports has been slashed by a third and their dollar value has fallen 40%.

Unfortunately, exports of the ten major debtors, after recovering by more than 11% in 1984 are declining again to 11% below the 1980-81 level. LDC export volumes generally have increased, but neither steadily nor strongly. Only one country out of the ten—Brazil in 1983-84—attained a double-digit rise in export volume two years in a row, but even this boom has since petered out. The oil-exporting countries, such as Mexico, Nigeria, and Venezuela, are having to restrain the volume of oil sales to help stabilize oil prices. The main export problem lies in raw material prices: non-oil commodity prices picked up slightly from mid-1983 through mid-1984 but fell subsequently to levels well below those of 1980-81; oil prices have softened throughout, by 25% since their early-1981 peak. Commodity prices generally have shown scant response to this year's dollar depreciation. As a result, most LDCs continue to experience erosion in their terms of trade.

Outside the commodity field, debtor export performance has been much better. Over a broad range of finished manufactures, Latin America's sales gains to the vital U.S. market have outpaced those of most other exporters. In terms of percentage increases, they surpassed even those of the vaunted Asian NICs (see Table 4). True, the level of Latin America's manufactures exports is still relatively modest, but the recent experience demonstrates ability to compete well in the U.S. market. It also points to the region's

Table 4

U.S. imports

changes in the two years ended Jan-Apr 1985
billions of dollars at annual rates and percent

	All products		Of which: Foods and industrial supplies		Of which: Finished manufactures	
Imports from	$	%	$	%	$	%
All countries	102.6	44	21.0	19	79.1	69
OECD	70.7	54	13.7	21	54.6	72
Non-OECD	31.9	31	7.3	12	24.5	62
Latin America	9.8	30	5.2	20	4.8	81
Asia	19.1	46	2.3	38	16.6	62

*Some point out that dollar strength has exacerbated the LDC debt burden. Had exchange rates remained unchanged since early 1983, the ten major reschedulers' European sales would have risen 46% — substantially more than their U.S. sales. Similarly, their Japanese sales would have been off only 15%. Their overall sales to the major industrial countries would have risen by 29% in dollar terms, better than twice the reported 14% and enough by itself to lower their average debt-to-export ratio from the actual 308% to 285%. However, these calculations are purely mechanical and should not be used to make quick conclusions. Many features of the world economy would have evolved differently had policies or circumstances produced a stable dollar.

Table 5

Net capital outflows*

average annual flows, billions of dollars minus sign denotes net outflows

	1977-80	1981-82	1983-84
Argentina	—3.39	—6.95	—0.24
Brazil	—0.88	0.15	—1.78
Chile	0.13	—0.18	0.35
Ecuador	—0.37	0.12	—0.22
Mexico	—4.00	—8.21	—6.51
Peru	—0.08	0.45	—0.52
Venezuela	—2.06	—7.24	—2.64
Nigeria	—0.32	—2.74	—1.15
Philippines	—0.64	—2.01	0.60
Yugoslavia	—0.52	0.91	—0.58
10 major debtors	—12.13	—25.69	—12.68

*Derived as a residual of current account balance, net foreign direct investment flows, changes in external debt, and changes in official reserves and in the foreign assets of domestic banks.

Table 6

Debt-to-export ratios

average of gross external debt at beginning and end of year as percent of exports of goods and services

	1982	1984	1985
Argentina	405	473	483
Brazil	339	322	368
Chile	333	402	442
Ecuador	240	250	254
Mexico	299	293	322
Peru	251	330	370
Venezuela	169	177	201
Nigeria	85	165	180
Philippines	270	312	342
Yugoslavia	167	166	160
10 major debtors	257	279	308

Table 7

Interest payments-to-export ratios

scheduled interest payments as percent of exports of goods and services

	1982	1984	1985
Argentina	50	56	52
Brazil	54	38	41
Chile	44	44	46
Ecuador	30	30	24
Mexico	44	37	33
Peru	25	33	31
Venezuela	18	16	18
Nigeria	8	11	13
Philippines	24	29	28
Yugoslavia	18	16	15
10 major debtors	34	31	31

substantial long-term potential for producing manufactures competitive in world markets.

Despite gains on external accounts, the foreign debts of the ten major debtors have continued to climb. During 1983-84 their total external obligations rose by an estimated $41 billion, nearly 6% per annum, down sharply from the 20% annual average increase of the preceding three years. More than half this amount effectively covered the capital outflows that still continue from those countries (see Table 5), little more than $5 billion was needed to finance current account deficits, and the remainder served to restore previously depleted international reserves. Against the weak export backdrop, the debt strategy has delivered no improvement in debt-to-export ratios since the crisis. Indeed, the ratios have worsened (see Table 6).

Moreover, the share of the ten debtors' export earnings absorbed by scheduled interest payments has not declined significantly since 1982 (see Table 7) despite the steep fall in nominal interest rates. The six-month dollar LIBOR, for example, has averaged around 8% in the past few months, half the mid-1982 level. Real interest rates, however, are down much less, with nominal rates still unduly exceeding industrial-country inflation rates. Indeed, from the perspective of debtors experiencing continuing declines in the prices of their exports, real interest rates may be said to be rising, not falling.

The IMF has played a pivotal role in shoring up the external finances of most of the troubled borrowers. From the end of 1982 through the middle of this year the IMF extended LDC credits totaling over $15 billion, net of repayments, of which nearly $10 billion went to the ten major debtors (see Tables 8 and 9). The World Bank accelerated the pace of its disbursements, lending a net $14 billion to all LDCs and almost $5 billion to the ten major debtors. The Inter-American Development Bank alone advanced $3½ billion to Latin America, net of repayments. In cooperation with the Fund, the banks have postponed virtually all medium-term obligations falling due during 1983-85 and converted some short-term loans to long-term. Further, to countries adhering to IMF programs, the commercial banks have agreed to provide new money — over $30 billion to the ten major debtors, of which $25 billion has been disbursed. From end-1982 through March of this year, bank claims on the ten rose at an average annual rate of about 2%, after currency valuation adjustment.

The banks have added substantially to their loan-loss reserves, and greatly expanded their capital base. Such actions have allowed the nine U.S. money center banks to reduce their total claims on developing countries in relation to their primary capital from a peak of 287% in 1982 to 214% by the end of March 1985 — lower than at any time since 1977; in the case of their Latin American claims, the corresponding reduction has been from 181% to 139%. As a result, the banks are now less vulnerable than at the onset of the debt crisis to adverse developments affecting their LDC credits.

Current industrial-country growth: too sluggish

The debtors' export earnings are being dampened by the currently sluggish pace of economic growth in the major industrial countries. OECD real GNP growth this year is unlikely to be much above 2.5%, little more than half the 1984 result. On present policies, OECD growth is unlikely to be better in 1986. By squeezing business profits and ex-

Table 8

IMF and World Bank* net lending

billions of dollars

	IMF		World Bank	
	Outstanding credit June 1985	Flows** Dec 82 to June 1985	Outstanding credit June 1985	Flows** Dec 82 to June 1985
Argentina	1.63	1.70	0.55	0.08
Brazil	4.20	4.02	4.25	2.06
Chile	0.79	0.83	0.25	0.07
Ecuador	0.26	0.28	0.22	0.08
Mexico	2.70	2.59	3.20	0.90
Peru	0.65	0.07	0.56	0.18
Venezuela	—	—	0.04	—0.05
Nigeria	—	—	1.02	0.48
Philippines	0.69	—0.06	1.94	0.69
Yugoslavia	1.94	0.38	1.85	0.44
10 major debtors	12.87	9.83	13.88	4.93
Other developing countries	18.94	5.44	26.80	9.16
All developing countries	31.81	15.27	40.68	14.09

*Excludes IDA.
**Adjusted for valuation effects of exchange rate movements.

Table 9

Use of IMF credit*

as of July 31, 1985

	Millions of dollars	Percent of cumulative access limit**
Yugoslavia	2,020	78
Mexico	2,804	57
Brazil	3,104	50
Philippines	627	34
Ecuador	185	29
Peru	396	28
Chile	519	28
Argentina	868	18
Nigeria	0	0
Venezuela	0	0
10 major debtors	10,523	31

*Excluding compensatory financing facility.
**Limit of 408% of quota.

acerbating unemployment in some sectors, the OECD slowdown also strengthens protectionist impulses that further raise the barriers of industrial-country markets to LDC exports; and it depresses world market prices for manufactured goods, oil, and other commodities exported by LDCs.

Since mid-1984 U.S. domestic demand growth has slowed to an annual rate of 3.3% in real terms, compared with 8.8% earlier in the recovery. As a result, overall U.S. imports during the first seven months of 1985 were up less than 4% year-on-year in value terms. Those from Latin America did not rise at all. Indeed, in the first quarter of 1985 there was slippage in the value of both U.S. and European imports from the major rescheduling countries, and a drastic fall in their sales to Japan. Altogether, the ten major debtors' sales to the principal industrial countries showed a 6% year-on-year decline in early 1985.

Much of the problem is that the slowdown of the U.S. economy has not been compensated for by any substantial speedup by other industrial economies. According to the OECD's midyear projections, Europe's domestic demand growth this year will be less than 2% — no higher than in 1984 — and is unlikely to accelerate materially in 1986; Japan's 1985 domestic growth may be a half point higher than last year's 4%, but will likely fall back to the 3.5%-4% range in 1986.

Although U.S. economic growth is generally expected to pick up in the second half of 1985, it is likely to fall short of the Federal Reserve's 4% real GNP growth projection, let alone the Administration's 5%. U.S. prospects for 1986 are much in question: the industrial sector remains quite weak; and the financial distress in agriculture, which already is cutting into incomes, could well become a negative for next year's output. Despite some encouraging recent signs of resilience, there is no certainty how far, how fast, or how long the U.S. economy will respond positively to the substantial fall in interest rates or the more recent rapid growth of M1. The low-growth world environment encourages industrial-country protectionism which is most prone to hit less sophisticated manufactured products, such as textiles and steel, where the older industrial countries are losing comparative advantage to LDCs. Protectionism already is pervasive in agriculture, where government price supports in the industrial countries bear no relation to supply/demand realities and are particularly injurious to LDC producers of sugar, cereals, and beef.

Protectionist attitudes and practices are solidly entrenched in Europe and Japan, declarations and action programs notwithstanding. The threat of intensified trade restrictions, however, currently focuses on the U.S. market, both by reason of its size and its rapid penetration

Table 10

Gross domestic investment and national savings

as percent of GDP

	Average 1977-80	Changes 1977-80 average to 1982	Changes 1982 to 1984
Argentina			
Investment	24.8	—6.9	—3.1
Savings	25.0	—12.6	—1.2
Brazil			
Investment	23.9	—2.6	—4.0
Savings	20.0	—4.5	2.0
Chile			
Investment	17.8	—6.5	2.3
Savings	11.7	—10.0	0.7
Ecuador			
Investment	26.6	—1.4	—5.6
Savings	20.8	—5.3	—2.9
Mexico			
Investment	25.1	—3.9	—4.3
Savings	22.0	—4.2	1.4
Peru			
Investment	15.4	7.3	—6.5
Savings	16.0	0.1	—0.1
Venezuela			
Investment	35.2	—9.3	—14.3
Savings	32.4	—11.9	—2.3
Nigeria			
Investment	26.7	—3.8	n.a.
Savings	27.1	—8.4	n.a.
Philippines			
Investment	30.1	—1.8	—10.1
Savings	24.3	—3.2	—3.1
*Yugoslavia**			
Investment	43.9	—3.7	—3.9
Savings	39.9	—0.3	—2.8

*As percent of gross material product.

by imports during the last several years. Something has to be done soon to narrow the U.S. trade deficit, which has widened to an annual rate of almost $140 billion so far in 1985. The deficit is creating acute problems in some trade-related sectors. The attendant protectionism can hardly be allayed without the prospect for a major reduction of the deficit. Yet, unless Europe and Japan pick up the slack and prove willing to accept reduction of their trade surpluses, U.S. deficit reduction could be no less destructive than protectionism for LDC export prospects.

Sluggish world economic growth further damages the debt strategy by depressing commodity prices and LDC terms of trade. Despite OECD real GNP growth averaging 3.5% since 1982, *The Economist* index of non-oil commodity prices currently stands 2% lower in nominal dollar terms than at the trough of the recession. Nor have prices firmed relative to those of manufactures. Especially disturbing is the 4% decline in dollar non-oil commodity prices since last February, in view of the 7% effective depreciation of the dollar and this year's nearly one-percentage-point decline in LIBOR. If lags are at work, dollar prices should move higher in due course. However, there is no conclusive evidence of such lags. Instead, the prevailing price weakness must be attributed to fundamental imbalances of supply and demand.

A few commodities have bucked the downward price drift: for example, coffee and copper spot prices have averaged about the same so far this year as during the first eight months of 1984. However, non-oil commodity prices in general are 13% lower than a year ago. Burgeoning new supplies are apparent in many cases, adding to already large inventories. This is particularly true of agriculture, where worldwide protectionism spawns chronic oversupply even under average weather conditions. In the case of metals, ample production capacity is now in place following the high prices of the 1970s, while several metals suffer from competition by substitutes or structural decline in demand.

Similarly, petroleum demand is in structural decline thanks to improvements in energy efficiency and to the increasing availability of attractively priced substitutes, notably natural gas, coal, and nuclear energy. Judging from first-half 1985 data, industrial countries' oil consumption will be down 2% this year, undoing last year's increase and reasserting this decade's declining trend. This year also is showing yet another large increase in non-OPEC oil production, squeezing OPEC output to 40% of the market and to barely 60% of its crude oil capacity. So far the upshot has been a controlled erosion of world oil prices, carrying the nominal average oil price roughly 25% lower over the past four years. With several OPEC members, including Saudi Arabia, anxious to boost production, oil price erosion may accelerate. The 1984 experience has demonstrated that it will take a rate of OECD economic growth very much in excess of what seems in store for the year ahead, or a very sharp fall in prices, to reverse the decline in oil demand.

The conclusion must be that with indefinite prolongation of sluggish OECD growth the tide is unlikely to turn soon for commodity prices, at least in real terms. This should exert downward pressure on world inflation and interest rates.

Internal LDC adjustment: reinforcement needed

Despite their balance of payments gains, the debtor countries have much more to do on internal adjust-

Table 11

Consumer prices

percent changes from previous year

	Dec 1981	*Aug 1985*
Argentina	131.3	625.7
Brazil	95.2	219.4
Chile	9.5	36.5
Ecuador	17.3	30.9*
Mexico	28.7	56.0
Peru	72.7	191.6
Venezuela	11.0	13.0**
Nigeria	17.3	22.5***
Philippines	10.6	15.8
Yugoslavia	35.7	69.9*
10 major debtors	59.3	180.0

*July.
**June.
***February.

Table 12

Public-sector deficits

as percent of GDP

	Average 1977-80	*1982*	*1984*
Argentina	—7.4*	—17.7	—12.0
Brazil	—7.6*	—15.8	—23.5
Chile	3.0	—3.4	—3.9
Ecuador	3.0	—6.7	—0.4
Mexico	—7.2	—17.6	—7.6
Peru	—5.4	—9.1	—7.6
Venezuela	1.2*	—12.9	3.5
*Nigeria***	—2.0***	—10.9	—4.5
Philippines	n.a.	—4.8	—3.6

*1979-80.
**Federal government only.
***April 1978 through December 1980.

ment. The growing desire for faster economic growth will not be satisfied unless the recent, uneven advances in fiscal, monetary, wage, and exchange rate policies can be sustained and consolidated. In addition, structural deficiencies must be tackled more forcefully: domestic savings and investment remain depressed, inflation continues at high levels, private-sector confidence has yet to be restored, and productive sectors remain sheltered from outside competition.

Consistency and vigor in the application of sound adjustment policies are indispensable to avoid backsliding. The desire to speed economic recovery, for example, inspired stimulative fiscal and monetary policies in Chile and Mexico during 1984. The resulting growth pickup proved short-lived; fiscal retrenchment and exchange rate adjustment soon became necessary to redress worsening public finances and balance of payments. Likewise in Brazil the authorities have aimed to accelerate economic growth at the expense of their commitment to adjustment, which is waning despite inflation of more than 200%. Yet, complacency in fighting inflation is foolhardy, as the example of Argentina shows clearly. The government's initial attempt to reactivate Argentina's economy yielded next to nothing in terms of growth, helped drive the inflation rate above 1,000%, and led to recession. It is the drastic stabilization program put in place in June 1985 — harsh even by IMF standards — that holds out the promise of a sustainable recovery of economic growth in 1986-87.

Satisfactory economic growth requires improvement in savings and investment. Between the late 1970s and 1982, national savings — the portion of domestic savings not sent abroad in the form of net factor payments (interest, dividends, and worker remittances) — fell significantly in nearly all the ten debtor countries (see Table 10). Large inflows of foreign capital during 1981-82 proved insufficient to offset the decline in domestic savings and the increase in interest payments on external debt. Except in Peru, domestic investment also tumbled, by almost 4% of GDP on average. Nor was the shrinkage of foreign capital inflows during 1983-84 made up by higher national savings. Investment consequently declined by an additional 3.5% of GDP. Only in Chile did it show a modest recovery.

For the foreseeable future, foreign capital inflows cannot be counted upon on a scale sufficient to reverse the investment slide. Stepped-up national savings are the answer. If net foreign capital inflows to the major borrowers remain at the 1984 level relative to GDP, restoration of domestic investment to the high levels of 1977-80 would require national savings to expand by about 6% of GDP on average. Still, such a savings rate would be only slightly above the average of the 1970s.

Improvement in savings rates can be achieved only in a less inflationary environment. Inflation distorts relative prices, hampers investment through uncertainty, and diverts funds into speculation at home and flight capital abroad. For most of the ten major debtors, inflation persists at unprecedented levels, even in such habitually high-inflation countries as Argentina, Brazil, and Peru (see Table 11). All three countries introduced price controls in 1985 in an effort to break inflationary expectations. Controls, however, are likely to be ineffective unless accompanied by much smaller public-sector deficits, as the recent Argentinian program intends.

With the exception of Venezuela, public-sector financing requirements of the ten major debtors in 1984 exceeded those of 1977-80, when access to external borrowing made

Table 13

Public-sector expenditures

as percent of GDP

	Average 1977-80	1982	1984
Argentina			
Total	42.1	48.6	45.0
Capital	11.7	8.2	7.8
Brazil***			
Total	n.a.	n.a.	n.a.
Capital	7.0*	6.7	5.4
Chile			
Total	52.7	59.1	57.7
Capital	7.7	10.3	8.8
Ecuador			
Total	31.1*	32.9	28.0
Capital	7.1*	9.7	7.7
Mexico			
Total	32.0	46.9	38.0
Capital	8.9	10.7	6.4
Peru			
Total	45.8	60.0	56.1
Capital	6.8	10.5	8.9
Venezuela			
Total	35.9**	43.1	34.5
Capital	15.8**	23.6	13.9
Nigeria****			
Total	n.a.	27.6	13.7
Capital	n.a.	16.8	5.4
Philippines****			
Total	12.6	15.6	13.7
Capital	2.4	3.0	1.9
Yugoslavia*****			
Total	40.3*	33.4	29.6

*1980.
**1979-80.
***State enterprises, including social security fund and financial institutions.
****Central government only.
*****As percent of gross material product.

Table 14

Net foreign direct investment flows

annual averages, in millions of dollars
minus sign denotes net outflows

	1977-80	1981-82	1983-84
Argentina	368	601	226
Brazil	1834	2424	1454
Chile	149	373	108
Ecuador	54	50	50
Mexico	1225	1968	443
Peru	44	87	—26
Venezuela	52	219	72
Nigeria	54	487	320
Philippines	53	94	50
Total	3833	6303	2697

possible growing fiscal gaps. Most of those debtor countries have, however, reduced their public-sector deficits since 1982 through a combination of moderate wage increases, more realistic pricing of public goods and services, higher tax revenues, and cutbacks in investment. The exceptions are Brazil and, to a lesser degree, Chile (see Table 12).

However, all still have room for improvement. Further progress requires paring the public-sector presence in the economy. In fact, total public-sector spending as a share of GDP has fallen in all the debtor countries for which 1983-84 data are available, mainly through sharp cuts in capital expenditures. The major oil-exporting countries show the steepest drops (see Table 13). With investment already fairly low and opportunities for major new tax revenues limited, current outlays must now be the cutting edge of fiscal retrenchment. Until now, forthright pruning of current expenditures has been postponed because some of the debtor countries have failed to marshal the necessary political will. Politically unpalatable actions, such as termination of large numbers of redundant state employees, have been avoided.

In addition, the scope of public-sector activity has to undergo substantive redimensioning. Private-sector participation in state enterprises continues to be quite limited. Governments have divested few of the assorted commercial activities in which they enjoy no particular expertise. Mexico has taken modest steps in the latter direction by initiating the sale, transfer, or liquidation of the government's stake in about 250 small commercial enterprises. Although these represent only about 25% of all state enterprises and a much smaller share in terms of value added, the decision, if vigorously implemented, represents a significant departure from the country's statist tradition.

High inflation and large public-sector claims on financial savings continue to conspire against restoration of private-sector confidence, which has been battered by large devaluations, exchange controls, import cutbacks, and the slowdown in aggregate demand. Confidence further suffers from the perception that higher interest rates and taxes place the main burden of adjustment on the private sector. Uncertainty about inflation, exchange rates, and interest rates gives impetus to capital flight. The acid test for stabilization in the debtor countries is to stem this drain and at least to create a climate that encourages the repatriation of funds held abroad by their own residents.

Improved local conditions and more favorable regulatory treatment also would send an important signal to foreign investors, who have curtailed new direct investments in those countries by about 60% since the 1981-82 peak (see Table 14). A more hospitable regulatory environment is slowly emerging. Examples are recent decisions on the oil sector in Argentina, the personal computer field in Mexico, and generally in Ecuador and Yugoslavia. Progress remains disappointing, however, given the potential benefits from strengthened links to export markets and infusions of equity capital and advanced technology.

Trade policies represent another weakness in the adjustment effort. Initial responses to the debt crisis included a tightening of quantitative controls on imports. In many debtor countries trade barriers sheltering local producers are higher today than before the crisis and the structure of protection varies too widely. The resulting unevenness of incentives across sectors impedes the growth of agricultural and raw material exports and undermines the

development of efficient manufacturing capable of competing abroad. The negative effects often are not offset by the currency devaluations that have taken place since 1982. Fortunately, there are signs that some governments are beginning to overcome the stiff resistance to external market forces from well-entrenched business and labor groups. Recently, Mexico, Chile, Argentina, and the Philippines announced measures to dismantle import controls, lower tariff duties, and simplify export procedures. The success of these initiatives depends heavily, however, on the consistent and constant application of supportive macroeconomic policies. Exchange rate competitiveness in particular is vital. It should not be allowed to slip, as in Nigeria, the Philippines, Venezuela, and, until last July's correction, Mexico.

Financing flows to LDCs need upgrading

A number of the ten debtor countries will need net new external financing in the coming years, as well as further rescheduling of existing debts. The financing will continue to come largely from three sources: the multilateral institutions, principally the IMF and World Bank; official export credit agencies; and commercial banks. However, flows from these sources, together with recently reduced levels of domestic savings, may not be adequate to support acceptable rates of economic growth.

The IMF is on its way to becoming a net recipient rather than provider of funds to LDCs. Requests for IMF financial assistance peaked in 1983 but have since slowed to pre-1981 levels. Drawings are now about equal to repayments of previous borrowings from the Fund (see Table 15). These repayments are scheduled to climb to $6 billion next year and almost $8 billion in 1987.

This trend is advocated by those who believe that repeated and prolonged use of IMF resources is inconsistent with the Fund's "monetary character." In their view, the IMF's principal function is to bring about balance of payment adjustment and give temporary balance of payment financing. Reflecting this view, access to Fund resources was tightened for 1985, and further restrictions may be considered for 1986. As a result, some countries requesting continuing assistance from the IMF are receiving conditional loans equivalent to as little as 40% to 50% of their quota on a per annum basis, half the financing available to them two or three years ago. The recently approved standby arrangements for Korea and Yugoslavia, for example, contemplate drawings that fall short of their scheduled repayments. Should Brazil or Mexico wish to enter into a second extended-facility arrangement, they too could find — as Chile discovered several months ago when it requested a three-year facility — that new loans from the Fund roughly match the repayments of principal from prior drawings falling due after 1986. Meanwhile, for such commodity-exporting countries as Argentina, Brazil, Chile, and Peru, drawing rights under the compensatory financing facility have been mostly or fully used up.

The Fund's lending role could be further curbed if the Enlarged Access (EA) policy, introduced in 1981 to replace the Supplementary Financing Facility (SFF), were to be phased out entirely. The EA policy has enabled countries to borrow more than would have been available had the IMF relied solely on quotas for its funding. However, a report of the Group of Ten industrial countries has recommended the policy be phased out. Already, the Fund

Table 15

Use of IMF credit

billions of dollars

	Borrowings	Repayments	Net
*Actual**			
1979	2.20	5.30	—3.10
1980	4.41	4.16	—0.25
1981	7.98	2.46	5.52
1982	8.22	1.81	6.41
1983	13.49	2.17	11.32
1984	7.47	2.36	5.11
1985 Jan-Jul	2.04	1.91	0.13
*Scheduled***			
1985 Aug-Dec		1.79	
1986		6.07	
1987		7.94	
1988		7.04	
1989		5.26	
1990		3.39	

*SDR amounts converted at average SDR/dollar rate for period.
**SDR amounts converted at SDR1=$1.

Table 16

*Use of World Bank credit**

millions of dollars

	Annual averages		First half
	1980-82	1983-84	1985
Argentina	46	23	38
Brazil	299	935	190
Chile	13	14	37
Ecuador	29	36	8
Mexico	320	299	299
Peru	81	68	45
Venezuela	—22	—19	—9
Nigeria	66	185	106
Philippines	262	331	27
Yugoslavia	180	177	87
10 major debtors	1274	2049	828
All borrowers	3948	5714	2658

*Disbursements minus repayments of principal. Excludes IDA.

Table 17

World Bank policy-based lending

average annual commitments
billions of dollars

	FY1980-82	FY1983-84	FY1985
Structural adjustment loans	0.7	1.2	0.2
as % of total	4.9	8.0	1.4
Sector policy loans	0.4	1.1	1.1
as % of total	2.9	7.4	7.6
Total policy-based lending	1.1	2.3	1.3
as % of total	7.8	15.4	9.0

is repaying its borrowings under the SFF and will soon begin repaying the medium-term funds provided by Saudi Arabia for the establishment of the EA. No further arrangements have been made to provide medium-term funds for the EA policy, and by mid-1987 the remaining commitments of short-term funds will have expired. In all, as the Fund gradually reverts to reliance on quota subscriptions, the limits on access to its resources may well shrink to those that prevailed in relation to quotas prior to the mid-1970s.

The World Bank's role in meeting the financing needs of the ten major debtors since 1982 has been rather disappointing. Its annual commitments have remained flat during the last two fiscal years and are 20% below the FY 1983 level. The Bank has continued to concentrate on project lending, even though this has proven inadequate to meet the pressing financing needs of the major debtors. Moreover, the Bank has been slow to improve the attractiveness of commercial bank cofinancing and to make use of its guarantee authority.

Nonetheless, during 1983-84 the Bank's annual disbursements to a few major debtors increased significantly. It accelerated disbursements of existing loans under the Special Action Program (SAP) and, especially to Brazil, provided quick-disbursing sector-policy loans. Other countries, such as Mexico, were slow to take advantage of the Bank's new procedures while public investment cutbacks curtailed demand for new project financing. Thus, with a few exceptions, the SAP and other measures had only marginal financial impact (see Table 16).

Structural Adjustment Loans (SALs), initiated in 1980, and the more-recently introduced sector-policy loans respond to the perceived need to broaden the scope of World Bank financing. They aim to support policy and institutional reforms at the macroeconomic or sectoral level through fast-disbursing loans — usually with a one-to-three-year drawdown, compared with nine years for project loans. Disbursements are tied to policy improvements in key areas such as financial intermediation, foreign trade, state-enterprise management, public-sector investment, and the pricing of key domestic commodities. However, these new schemes account for only a small share of the Bank's total lending (see Table 17).

Among the ten major debtors, only the Philippines and Yugoslavia have received SALs; another is in preparation for Chile. The Bank's lukewarm commitment to policy-based lending partly reflects industrial-country reluctance to countenance significant departures from project lending. In addition, LDCs, particularly in Latin America, are weary of policy conditionality, especially when it is additional to and for a longer time than that of the IMF. LDCs also oppose World Bank/IMF cross-conditionality. Thus, continued restraint of public-sector investment in the debtor countries, their reluctance to accept conditionality, and the Bank's current focus and procedures all conspire against a meaningful increase in new World Bank financing.

Official export credit agencies, the main source of bilateral official lending, have continued to provide new financing to the major debtor countries. Growth of their credits has even accelerated in a few instances, notably Mexico and the Philippines. However, for the ten major debtors as a group, new official export financing — through guarantees and insurance issued to commercial bank lenders and nonbank suppliers, and in some countries, through direct lending by the agencies themselves — has slowed since the debt crisis (see Table 18). The debtors' invest-

Table 18

*Official export credits from OECD countries**

annual average net flows
billions of dollars

	1979-81	1982-84	Outstandings as of Dec 1984
Argentina	0.25	—0.16	2.7
Brazil	1.25	0.49	10.5
Chile	—0.04	—0.03	0.6
Ecuador	0.13	—0.04	0.6
Mexico	0.58	0.96	7.1
Peru	0.19	—0.09	1.3
Venezuela	0.15	—0.03	1.6
Philippines	0.20	0.41	3.5
Nigeria	0.51	0.90	6.0
Yugoslavia	0.48	0.32	3.9
10 major debtors	3.70	2.74	37.7
Other developing countries	8.80	6.06	121.5
All developing countries	12.50	8.80	159.2

*Export credits insured or guaranteed by, or extended directly by, official export credit agencies in OECD countries. Includes loans extended by commercial banks that are insured or guaranteed.

Table 19

*Commercial bank net lending**

billions of dollars

	1983	1984	Q1 1985	Outstandings as of Mar 1985
Argentina	0.5	—0.8	0.1	26.2
Brazil	1.5	6.6	—0.2	76.7
Chile	0.5	0.6	—0.1	13.6
Ecuador	0.1	—0.1	0.0	4.9
Mexico	4.1	0.7	—0.1	72.1
Peru	—0.3	—0.8	—0.1	5.6
Venezuela	—0.7	—2.7	—0.1	25.2
Nigeria	1.2	—1.0	0.7	8.7
Philippines	—0.3	0.1	—0.5	13.3
Yugoslavia	0.4	0.6	—0.2	9.5
10 major debtors	7.0	3.2	—0.5	256.0
Other developing countries	14.5	5.3	—1.9	194.8
All developing countries	21.5	8.5	—2.4	450.8

*Changes in BIS-reporting banks' claims adjusted for the estimated valuation effects of exchange rate movements.

ment slowdown has been partly responsible, because the export of capital goods is frequently financed by officially supported export credits. Export credit agencies also have cut back new financing in response to their perceptions of increased risks. In several cases, export credit guarantees and insurance coverage have been restricted to short-term operations, or suspended entirely, for those debtors requesting Paris Club rescheduling of bilateral official credits or whose export credits fall into arrears. Moreover, some agencies have been slow to restore coverage after rescheduling is completed. Thus, though essential to debt restructuring, Paris Club reschedulings, which have been negotiated by eight of the ten major debtors, have had some negative consequences.

Commercial bank lending to developing countries also has fallen below expectations. BIS-reporting banks' claims on all LDCs grew within the originally expected 5%-7% range during 1983 — by $21½ billion, or 6.6% — but rose by only $8½ billion, or 2%, in 1984. In the first quarter of 1985 they actually declined by nearly $2½ billion, or 0.5%. Between the end of 1982 and March 1985, BIS-reporting banks' claims on the ten major debtors rose by less than $10 billion, despite more than $24 billion of new money disbursements (see Table 19). The bulk of the difference stemmed from repayments of existing loans, mostly to the private sector, and from net declines of trade credits and interbank lines. New money facilities have recently been completed or are nearing completion for several countries with IMF-supported adjustment programs — for example, Argentina, Chile, and Ecuador. In Brazil a multiyear restructuring offered by the banks cannot be implemented until the country reaches agreement with the IMF.

Recommendations

As the preceding analysis shows, weaknesses have surfaced in each of the three prongs of the cooperative international approach to the LDC debt problem: the global environment is not as supportive as it could be; financial flows to the troubled LDCs are insufficient; and the debtor countries have lagged in making internal adjustments and opening their economies to international competition. Plainly, the present cooperative approach needs more time and its implementation has to be improved.

As for the global environment, the first priority must be to take advantage of the present low inflation in the leading industrial countries to boost economic growth. OECD real GNP growth of barely 2.5% needs to be pushed upward into the 3%-3.5% range — not simply to benefit the LDCs, but to advance the self-interest of the industrial countries. The prescription for Europe is to emphasize expansionary demand policies, including fiscal action, which would reduce Europe's high unemployment and assist efforts at structural adjustment. Japan also could use domestic demand stimulus to curb its disruptive trade surplus.

For the United States, concern centers on how best to assure a reduction of interest rates. There is little justification for 8½% dollar LIBOR or long-term U.S. Treasury yields of almost 11%. These rates are very high in real terms, given the flat or falling prices facing the agricultural and energy sectors of the U.S. economy, not to mention commodity exports of LDCs. If the economy fails to pick up, the Federal Reserve is not likely to risk loss of credibility if it moves to push interest rates down. Lower rates should be conducive to a lower dollar. Dollar commodity prices should benefit

from a lower dollar as well as from a speedup in aggregate demand growth in the industrial countries. This summer's budget compromise, which holds prospects for lowering the budget deficit from its present level exceeding 5% of GNP to about 3% over the next three years, should help interest rates decline, although it is unclear to what degree in a world of free international capital movements.

Stronger OECD economic growth also would help slow the protectionist tide that menaces LDC exports and world prosperity generally. If the U.S. protectionist clamor is to be held in check, concrete measures will have to be taken to ensure that the widening U.S. trade deficit is turned around — cutting it by, say, $100 billion within three years or so. To achieve this mainly by contraction of U.S. imports would be counterproductive for world economic growth — and extremely harmful for the LDCs, given the significance of the U.S. market. The U.S. trade deficit, therefore, is not simply a U.S. problem but a global challenge that calls for Japan and Europe to put aside their deep-seated mercantilist instincts in favor of importing more and rooting out barriers to trade. The U.S. administration's calls for a new multilateral trade round therefore merit strong support. Applying the "Section 301" provision of the 1974 U.S. Trade Act, which aims to eliminate unfair trade practices abroad by limiting foreign access to the U.S. market, or threatening to do so, probably is politically necessary. However, such an initiative is not without risks and, if it does not succeed in eliminating trade barriers, it may in the end raise them. Altogether, it is important that not only Japan and Europe but also the major developing countries see the wisdom of participating actively in trade liberalization.

The shareholders of the IMF and the World Bank should adjust these institutions' lending activities to today's new realities. The long-established concept that the Fund mainly provides temporary balance of payments financing is predicated on the notion that private credit market access would be restored once a country's current account deficit is corrected. In the past two or three decades this process normally has taken about two years. In the present situation, current account correction has once again occurred very quickly. However, the critical difference this time is that current account adjustment has not proved sufficient to restore either market access or confidence among residents sufficient to produce a reflow of capital. In addition to trade-balance improvements, borrowing countries are expected to bring about structural economic and financial reforms that will increase domestic savings, open up investment opportunities, and make heir industries more competitive internationally. In this difficult and prolonged adjustment process, which goes well beyond current account correction in the LDCs, the role of the IMF ought to remain central, although it should be shared increasingly with the World Bank.

Petroleum-exporting countries, in particular, need to work closely with the Fund to adapt their economies to the reality of weak oil markets. Most commodity-exporting countries likewise would find it advisable to maintain a good working relationship with the IMF, in order to cushion the impact of low commodity prices. Even countries such as Argentina, Brazil, and Yugoslavia, capable of running a balanced or surplus current account position while they recover and grow, can benefit from Fund advice and involvement in view of their domestic macroeconomic problems.

However, in light of the heavy schedule of repayments to the IMF that most LDCs now face, current

access rules to Fund resources seem to be unrealistic. They yield a negligible or even negative net flow of IMF financing at a time when alternative sources of support are scarce and likely to remain so in the foreseeable future. Yet, debtor countries need to have a strong incentive to keep coming to the Fund. By the same token, commercial banks and official creditors need a Fund program to be persuaded to keep on providing financing. Only an IMF that is positioned to disburse meaningful amounts of new financing will have the necessary clout.

The existing ceilings on use of Fund resources should be reviewed, therefore, to see how they may be increased or at least applied in a more flexible manner. At present, annual and three-year access limits take no explicit account of the burden of repayments on prior borrowings. The cumulative ceiling of 408% to 450% of quota, which is defined net of scheduled repayments, is being applied so conservatively that most countries seeking Fund assistance are being offered loans that keep them well below the ceiling. Although the Fund's resources are ample, they may have to be supplemented, once access guidelines are changed, by a new medium-term borrowing from today's surplus countries — particularly Japan — much as was obtained from Saudi Arabia several years ago.

The World Bank should increase its support to the major debtors. Its traditional emphasis on project financing should be changed, because the large LDCs have already made many investments that now need to be managed productively. In those countries, the Bank needs to demonstrate greater willingness to back, with sizable and quick-disbursing loans, the kind of long-postponed sectoral policy reforms that can yield major economic benefits. Besides, policy-based lending can be the vehicle for delivering significantly larger amounts of commercial bank cofinancing than are now possible through project loans. Additional bank funds could be marshaled by use of the Bank's guarantee authority.

First steps in the right direction were taken in recent financing packages for Chile and Colombia, which featured the World Bank prominently alongside the IMF — in Chile by a structural adjustment loan and a partially guaranteed cofinancing, and in Colombia by a trade-policy loan. These arrangements encourage policy reform and are innovative in raising new commercial bank financing. The two packages also mark the kind of World Bank-IMF cooperation urged by the Group of Ten. The time is long past for bureaucratic turf battles that obstruct innovation and effectiveness.

For the time being, the World Bank can step up its lending without requiring a capital increase. However, should the demand for Bank financing surge beyond the commitment level of $13 billion per annum, particularly with a quickened pace of disbursements, an increase in authorized capital eventually would become necessary. Such action would complement the recent doubling of International Finance Corporation capital.

The official export credit agencies of the industrial countries also need adequate financial backing and should adopt more flexible policies. The practice of reducing or even denying guarantees and insurance to countries that request debt relief via the Paris Club should be applied only in exceptional circumstances. Governments represented at the Paris Club should be willing to consider, as they did in the case of Ecuador, multiyear reschedulings of official bilateral debt for countries that have negotiated multiyear agreements with commercial banks.

Further, the agencies should widen the scope of their financing beyond capital goods to include materials and parts needed for better utilization of existing investments. This technique was used in 1983 by the U.S. Export-Import Bank, but the facility was hardly used because of administrative problems and lack of demand in the borrowing countries. However, it should be tried again.

Commercial banks should explore innovative approaches to LDC financing. Ways have to be found to maintain the participation of as large a number of lending institutions as possible by such features as options to lend in home currencies and, within individual countries, to lend at least a portion of new funds to borrowers of their own choosing. Tying new money facilities to the financing of trade or specific projects, which generate additional foreign exchange earnings, could be useful. Consideration also may be given to multiyear new money facilities. Finally, the attitude of bank regulators and supervisors can make a major difference. They should avoid requiring across-the-board loan-loss provisions — such as those imposed by officials in Canada, Japan, and some European countries — that fail to differentiate among the various debtors, and acknowledge promptly countries that make significant progress.

The greatest contribution that rescheduling countries can make to normalizing their access to foreign credit and achieving the per capita income growth they need is to press forward with the reforms discussed earlier in this article. Thus, working in conjunction with the IMF and the World Bank, they should move forcefully to curb inflation by cutting down their bloated public sectors, scrap controls that crimp the vitality of their private sectors, and open up their economies to outside competition and investment. These are the means necessary to make their own citizens confident that opportunities for saving and investing at home can be as rewarding as those abroad, and to attract foreign companies with the modern technology, export marketing know-how, and access to external financing that many local firms have not developed.

There are no magic formulas or easy solutions to the LDC debt problem. The lesson from countries such as Turkey, and others that encountered debt servicing problems earlier, is that even after the necessary reforms are made, it takes more than a few years for voluntary lending to return. In the meantime, LDC economic growth must be export-oriented, and an increased flow of foreign credit must be linked to policy reforms and structural adjustment and to stepped up industrial-country exports to the LDCs. This is the way not only to combat protectionism but also to achieve the twin objectives of renewed economic expansion and normalized access to external financing.

Statistical appendix

For key to data in tables see August 1985 issue.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
1980	90.7	100.4	95.5	96.0	106.5	100.0	108.4	99.8	99.4	105.9	100.2	106.5	95.4	105.1	98.2	103.9
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1984																
September	127.3	96.7	112.0	92.1	83.6	106.2	85.9	87.1	103.2	88.9	103.1	76.9	109.3	93.2	96.9	85.6
October	128.5	96.6	112.0	93.6	83.7	106.3	85.7	85.3	103.2	88.7	103.2	77.0	109.8	93.4	97.1	85.6
November	126.8	96.5	112.5	95.0	84.0	106.7	85.6	85.2	103.4	89.3	103.5	77.4	110.2	94.2	95.5	85.1
December	129.5	96.7	112.0	94.8	83.6	106.1	86.0	83.7	103.2	89.3	103.0	77.8	109.5	94.5	95.5	85.0
1985																
January	132.0	96.9	110.5	93.8	83.7	106.2	86.3	81.0	103.4	89.9	103.0	78.1	107.8	95.0	95.7	85.0
February	136.4	95.3	110.0	86.8	83.5	105.8	85.4	81.4	103.3	89.3	102.5	77.6	105.9	94.4	95.8	85.5
March	136.9	93.2	111.3	81.5	83.7	105.9	83.7	84.0	103.0	89.0	102.5	77.2	105.8	94.3	95.7	84.6
April	131.7	93.6	111.5	74.2	84.5	106.7	83.0	88.1	103.8	89.2	102.9	77.5	108.0	94.5	96.0	83.6
May	132.0	92.9	111.5	76.3	84.4	106.5	82.9	89.2	103.5	89.0	102.9	76.5	107.4	93.7	96.0	83.8
June	130.5	93.2	112.2	74.2	84.4	106.5	83.0	90.4	103.6	88.9	103.0	76.3	107.6	94.3	95.8	83.8
July	126.1	93.5	113.1	75.4	85.3	107.1	81.5	93.6	103.8	89.0	103.5	75.5	109.7	94.5	95.7	83.7
August	124.0	92.8	113.6	75.4	86.3	108.7	80.0	91.4	104.7	89.6	104.8	75.2	112.2	95.0	95.6	83.1
August 2	123.9	93.1	113.8	76.7	86.2	108.3	78.9	93.1	104.4	89.4	104.5	75.5	112.5	95.4	94.0	84.4
9	124.9	92.9	113.9	76.4	86.1	108.4	80.2	90.4	104.6	89.8	104.7	75.3	111.3	95.4	95.7	83.3
16	123.6	92.8	113.5	75.2	86.3	108.9	80.0	91.5	104.8	89.0	104.9	75.2	112.3	95.5	95.6	83.0
23	123.2	92.8	113.5	74.9	86.4	108.9	80.1	91.5	104.8	89.6	104.8	75.3	112.8	95.3	95.6	83.0
30	123.8	92.5	113.5	75.0	86.3	108.7	79.9	92.1	104.7	89.5	104.7	75.2	112.5	94.9	95.5	82.9
September 6	126.1	92.3	113.4	74.5	85.8	108.1	80.0	91.7	104.4	89.4	104.3	75.0	111.3	94.6	95.8	83.3
13	127.8	92.4	113.4	73.7	85.7	107.8	80.0	90.3	104.3	89.3	104.3	74.4	111.0	94.4	95.9	83.7

Real effective exchange rates – industrial countries

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
1980	89.4	99.6	103.0	93.0	102.1	103.5	103.5	99.9	100.2	107.5	99.9	100.9	98.7	103.5	96.6	101.2
1981	100.6	100.0	104.6	102.7	100.1	97.3	98.7	102.3	99.1	100.3	97.6	99.4	98.7	99.2	100.9	102.1
1982	109.9	100.4	92.3	104.3	97.8	99.2	97.8	97.9	100.7	92.3	102.5	99.8	102.6	97.3	102.5	96.7
1983	112.7	103.1	96.6	100.0	96.1	99.3	100.1	92.0	101.7	92.0	101.8	90.6	104.4	98.8	101.3	91.5
1984	118.2	101.2	97.6	105.1	96.8	96.5	101.1	89.3	102.7	90.9	100.1	95.0	99.4	96.5	100.1	96.9
1984																
September	121.5	101.4	96.8	103.7	96.3	95.2	101.0	88.3	102.0	90.8	99.2	95.6	97.9	97.2	99.5	98.9
October	123.6	100.4	96.0	105.0	96.5	95.2	100.8	86.8	101.8	90.6	98.8	96.0	98.8	96.6	100.1	99.1
November	122.0	100.4	96.2	106.5	97.0	95.2	101.2	86.8	102.5	91.8	98.6	96.9	98.7	98.0	98.3	98.3
December	123.9	101.1	95.7	106.6	98.0	94.5	101.4	85.4	102.3	91.4	98.0	97.5	98.0	98.1	98.0	98.7
1985																
January	125.9	101.6	94.2	105.4	97.1	94.9	102.6	83.2	102.3	91.6	98.0	98.6	96.4	97.6	97.4	99.4
February	129.7	100.0	93.5	97.9	97.0	94.5	101.7	83.8	102.0	91.4	97.4	98.5	95.0	96.3	98.0	100.2
March	129.6	98.1	94.0	92.5	97.6	94.0	99.8	86.5	101.6	91.6	97.5	98.0	95.5	97.4	98.3	99.6
April	125.1	98.2	93.6	84.9	98.8	94.6	99.2	91.2	102.4	91.3	98.0	98.9	96.4	98.3	98.5	98.0
May	126.0	97.2	93.0	87.7	99.2	94.3	98.9	92.3	102.0	90.3	98.4	97.8	95.4	97.6	99.3	98.0
June	124.6	97.6	93.1	85.9	99.8	93.9	99.5	93.5	102.1	90.3	98.9	97.1	95.9	97.0	98.9	97.8
July	120.3	97.8	93.5	88.1	101.2	94.2	97.9	96.8	102.2	90.3	99.6	96.2	97.6	97.7	98.9	97.3
August	117.8	97.5	93.7	88.8	103.0	95.5	96.3	94.7	103.0	90.7	101.2	96.0	99.5	98.4	98.5	96.6

Real effective exchange rates — developing countries

Index numbers, 1980-82 = 100

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1980	116.4	84.8	95.2	94.7	104.0	93.1	91.3	98.4	89.6	95.9	96.2	93.3	98.6	100.9	92.9	100.2
1981	107.7	103.2	108.1	100.4	114.1	103.2	99.6	99.4	99.6	101.2	99.3	101.2	102.7	102.6	99.3	104.4
1982	75.9	112.0	96.7	104.8	81.9	103.8	109.1	102.2	110.8	102.9	104.5	105.5	98.7	96.5	107.7	95.4
1983	71.2	85.6	88.7	104.0	78.0	97.7	116.1	96.6	95.7	97.3	112.7	95.1	97.1	93.1	119.5	92.8
1984	79.9	85.5	89.8	99.3	91.5	105.8	85.6	100.3	96.7	95.9	119.1	107.4	95.8	95.5	118.3	90.6
1984																
August	85.7	86.3	92.4	99.3	91.3	109.1	83.6	100.8	97.4	96.4	121.3	106.4	96.2	97.6	119.1	91.8
September	88.7	88.6	93.1	100.1	94.2	109.7	85.8	103.6	97.4	97.7	123.3	113.8	96.9	98.9	122.0	94.0
October	82.0	89.9	89.5	98.4	96.3	107.9	87.5	105.3	97.8	97.3	121.1	112.4	96.1	98.2	122.0	94.5
November	73.7	88.4	88.1	97.4	95.8	104.8	87.8	104.7	96.5	96.3	119.7	109.0	95.0	96.6	122.0	95.4
December	76.1	91.1	86.9	98.0	96.1	101.6	89.0	107.1	98.7	96.8	121.3	111.9	95.5	97.4	114.2	95.5
1985																
January	75.0	94.1	88.1	99.0	97.8	98.4	90.3	108.8	100.0	97.0	120.5	118.4	95.7	98.3	109.5	98.0
February	77.1	93.0	89.5	99.7	100.2	96.9	94.4	111.5	101.1	97.9	119.4	123.4	95.7	99.4	119.5	102.3
March	76.5	96.7	82.8	96.6	100.9	92.2	94.3	112.1	99.9	96.2	118.1	123.3	95.7	98.6	115.9	101.4
April	76.2	89.0	81.5	92.1	98.9	91.1	92.4	108.7	98.6	92.1	118.0	118.7	94.3	96.1	112.5	96.3
May	76.7	84.2	82.8	90.2	97.9	91.3	95.2	108.8	98.2	91.1	118.9	117.4	93.1	95.2	104.6	94.2
June	75.6	80.9	84.7	88.6	97.4	90.9	98.4	108.3	97.8	89.9	118.4	116.9	92.3	94.5	105.2	89.9
July	68.1	78.7	76.6	84.4	93.6	89.1	98.4	105.9	95.0	87.6	115.6	116.0	90.6	91.7	99.0	86.2

International banking market size

at end of period, billions of dollars

	1981	1982	1983	1984				1985
				Mar	Jun	Sep	Dec	Mar
Gross claims								
Eurocurrencies, on residents and nonresidents	**1 929**	**2 146**	**2 253**	**2 339**	**2 330**	**2 322**	**2 352**	**2 461**
On nonbanks	557	634	665	685	679	676	684	708
On banks	1 372	1 512	1 588	1 654	1 651	1 646	1 668	1 753
In dollars	1 504	1 694	1 797	1 841	1 850	1 857	1 887	1 974
In other currencies	425	452	456	498	480	465	465	514
Domestic currencies, on nonresidents	**365**	**398**	**398**	**400**	**406**	**393**	**397**	**402**
On nonbanks	128	132	136	136	140	138	137	140
On banks	237	266	262	264	266	255	260	262
In dollars	188	211	217	206	218	208	210	201
In other currencies	177	187	181	194	188	185	187	201
Total	**2 294**	**2 544**	**2 651**	**2 739**	**2 736**	**2 715**	**2 749**	**2 863**
On nonbanks	685	766	801	821	819	814	821	848
On banks	1 609	1 778	850	1 918	1 917	1 901	1 928	2 015
In dollars	1 692	1 905	2 014	2 047	2 068	2 065	2 097	2 148
In other currencies	602	639	637	692	668	650	652	715
Gross liabilities								
Eurocurrencies, to residents and nonresidents	**1 954**	**2 168**	**2 278**	**2 362**	**2 360**	**2 349**	**2 383**	**2 481**
To nonbanks	372	432	479	500	503	492	500	508
To official monetary institutions	112	91	88	85	88	94	96	96
To other banks	1 470	1 645	1 711	1 777	1 769	1 763	1 787	1 877
In dollars	1 539	1 741	1 846	1 882	1 905	1 912	1 949	2 001
In other currencies	415	427	432	480	455	437	434	480
Domestic currencies, to nonresidents	**263**	**250**	**258**	**262**	**277**	**274**	**277**	**289**
To nonbanks	74	70	71	71	71	72	77	78
To banks	189	180	187	191	206	202	200	211
In dollars	126	116	133	128	140	140	143	143
In other currencies	137	134	125	134	137	134	134	146
Total	**2 217**	**2 418**	**2 536**	**2 624**	**2 637**	**2 623**	**2 660**	**2 770**
To nonbanks	446	502	550	571	574	564	577	586
To banks and official institutions	1 771	1 916	1 986	2 053	2 063	2 059	2 083	2 184
In dollars	1 665	1 857	1 979	2 010	2 045	2 052	2 092	2 144
In other currencies	552	561	557	614	592	571	568	626
Net market size	**1 155**	**1 285**	**1 377**	**1 395**	**1 417**	**1 407**	**1 415**	**1 442**

International bond issues and bank credits

millions of dollars

	1982	1983	1984	1985			Jan-Jun	
				Apr	May	Jun	1985	1984
By country of borrower								
Industrial countries	**108 772**	**102 652**	**177 077**	**17 234**	**16 863**	**21 631**	**100 857**	**97 330**
Australia	7 213	5 737	5 816	838	698	1 480	5 181	2 158
Austria	2 068	1 290	2 254	112	241	350	1 395	1 427
Belgium	1 528	2 168	1 847	336	21	610	1 597	887
Canada	15 856	8 571	13 124	400	579	1 786	9 230	4 929
Denmark	2 725	3 941	4 825	440	222	503	1 956	2 651
Finland	1 446	1 271	1 713	60	56	181	840	1 011
France	14 813	8 626	11 298	914	208	2 174	6 954	5 456
Germany	1 101	3 197	2 165	50	287	329	1 056	1 163
Greece	808	1 291	1 551	200	450	187	1 306	550
Ireland	1 136	1 869	1 377	191	39	267	898	264
Italy	6 687	4 876	6 933	1 958	771	395	6 973	2 220
Japan	8 397	14 428	17 526	1 763	1 425	1 852	10 853	11 263
Netherlands	1 000	1 213	1 973	133	123	383	896	1 527
New Zealand	4 786	802	3 208	—	266	468	1 219	1 152
Norway	2 601	1 969	1 324	135	—	1 268	1 887	641
Portugal	1 684	1 030	1 796	68	138	103	1 120	1 045
South Africa	1 889	1 300	1 422	201	73	217	692	968
Spain	2 675	4 977	4 931	616	695	300	2 645	3 248
Sweden	3 181	7 144	11 256	512	2 644	491	5 955	8 958
United Kingdom	2 836	2 726	8 899	2 198	3 648	1 937	9 806	3 938
United States	21 109	20 276	65 054	5 829	4 160	5 953	27 134	40 047
*Other**	3 233	3 950	6 785	282	123	399	1 266	1 827
Developing countries	**49 023**	**38 258**	**39 725**	**1 687**	**3 402**	**1 505**	**12 024**	**23 082**
Latin American countries	**29 667**	**15 592**	**17 464**	**286**	**152**	**130**	**1 297**	**11 806**
Argentina	1 565	1 750	4 212	—	—	—	—	12
Brazil	5 972	4 475	6 649	—	—	—	—	6 500
Chile	1 194	1 405	784	—	—	—	—	784
Colombia	776	552	589	—	52	—	52	229
Mexico	9 968	5 138	3 918	—	—	—	—	3 883
Venezuela	7 241	237	—	—	—	—	—	—
*Other***	2 951	2 035	1 312	286	100	130	1 245	398
Asian countries	**11 723**	**12 978**	**15 893**	**811**	**2 196**	**1 232**	**7 632**	**7 351**
India	555	968	945	21	—	10	348	352
Indonesia	1 822	2 363	1 924	—	400	24	424	1 074
Korea	3 277	4 387	6 201	418	429	908	3 118	2 847
Malaysia	2 872	2 197	2 605	92	120	81	1 011	1 390
Philippines	888	878	925	—	925	—	925	—
Thailand	414	747	1 221	—	75	41	666	683
Other	1 895	1 438	2 072	280	248	168	1 141	1 005
Middle Eastern and African countries	**7 633**	**9 686**	**6 368**	**590**	**1 055**	**144**	**3 096**	**3 925**
Algeria	86	1 993	821	—	700	—	1 300	200
Nigeria	2 069	2 343	985	—	—	—	—	985
Turkey	277	1 106	741	500	28	—	579	600
Other	5 201	4 244	3 821	90	327	144	1 217	2 140
Eastern European countries	**1 479**	**1 294**	**3 244**	**480**	**—**	**457**	**2 035**	**1 652**
Hungary	340	741	1 386	25	—	357	651	885
Soviet Union	1 131	93	1 051	333	—	—	539	528
*Other****	8	460	807	122	—	100	845	239
International organizations****	**11 353**	**16 201**	**13 287**	**1 706**	**2 499**	**870**	**9 756**	**5 497**
By type of instrument and currency								
International bond issues	**78 042**	**76 329**	**107 411**	**12 347**	**16 636**	**13 975**	**80 107**	**50 624**
Eurobonds	51 645	48 501	79 458	9 816	14 504	11 885	67 038	35 052
U.S. dollar	43 959	38 428	63 593	7 125	11 325	9 197	51 837	27 688
German mark	2 588	3 817	4 604	435	1 133	811	3 677	2 239
British pound	748	1 947	3 997	433	525	185	2 446	1 757
Japanese yen	374	212	1 212	478	180	—	1 866	348
European composite units	1 980	2 019	3 032	738	658	666	3 198	1 535
Other	1 996	2 078	3 020	607	682	1 026	4 016	1 285
Foreign bonds	26 397	27 828	27 953	2 531	2 132	2 090	13 068	15 572
U.S. dollar	5 946	4 545	5 487	308	509	200	2 157	3 287
German mark	2 952	2 671	2 243	145	65	113	802	1 018
British pound	1 214	811	1 292	92	—	—	157	744
Swiss franc	11 432	14 299	12 626	662	1 031	1 178	5 985	7 915
Japanese yen	3 418	3 772	4 628	1 195	387	337	2 990	1 783
Other	1 435	1 730	1 677	129	140	262	977	825
International bank credits	**92 585**	**82 074**	**125 922**	**8 760**	**6 129**	**10 488**	**44 565**	**76 937**
Eurocurrency credits	85 015	74 222	112 605	8 548	5 676	10 069	41 693	71 478
Foreign credits	7 570	7 852	13 317	212	453	419	2 873	5 459
Total	**170 627**	**158 403**	**233 333**	**21 107**	**22 765**	**24 463**	**124 672**	**127 561**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1982	1983	1984	1985						
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug
Eurodollar										
overnight	9.25	8.50	8.63	8.44	8.81	8.31	7.50	8.00	8.50	7.56
one month	9.13	8.69	8.38	8.88	8.69	8.38	7.56	7.63	7.94	7.94
three months	9.19	9.81	8.63	9.44	9.00	8.69	7.63	7.75	8.19	8.00
six months	9.50	10.06	9.13	10.00	9.44	9.00	7.88	7.88	8.44	8.13
twelve months	9.63	10.38	9.81	10.75	10.13	9.75	8.38	8.25	8.88	8.56
Euro-Canadian dollar										
one month	10.00	9.13	9.88	10.38	10.38	9.50	9.50	9.00	8.69	8.75
three months	10.00	9.50	10.81	11.19	10.56	9.81	9.50	9.38	8.94	8.94
six months	10.13	9.75	10.06	11.75	10.69	10.38	9.63	9.50	9.31	9.19
twelve months	10.25	10.00	10.44	12.06	12.00	10.75	9.94	9.63	9.50	9.50
Euro-French franc										
one month	23.00	12.13	10.69	10.63	10.63	10.31	10.13	10.50	14.00	9.88
three months	24.00	12.19	10.69	11.00	10.81	10.44	10.25	10.63	14.00	10.63
six months	22.00	12.31	11.00	11.44	11.25	10.75	10.38	10.75	13.75	11.50
twelve months	19.75	12.63	11.38	11.88	11.56	10.94	10.63	11.25	13.00	11.75
Euromark										
one month	5.88	5.25	5.50	5.81	5.69	5.75	5.50	5.44	4.69	4.50
three months	5.88	5.88	5.50	6.06	5.88	5.81	5.56	5.44	4.81	4.50
six months	5.94	6.13	5.56	6.38	6.06	5.88	5.56	5.50	4.94	4.56
twelve months	6.00	6.38	5.56	6.56	6.25	6.06	5.56	5.63	5.00	4.69
Euro-Dutch guilder										
one month	5.13	5.81	5.69	6.81	6.69	6.94	7.00	6.75	6.06	5.75
three months	5.19	6.00	5.75	7.06	6.81	6.94	6.88	6.69	6.00	5.69
six months	5.38	6.25	5.81	7.13	6.88	6.94	6.88	6.69	6.00	5.69
twelve months	5.63	6.38	5.94	7.31	6.94	7.00	6.81	6.69	6.00	5.69
Euro-Swiss franc										
one month	2.81	3.38	4.44	5.50	5.19	5.00	5.13	5.13	4.38	4.44
three months	3.25	3.75	4.56	5.75	5.50	5.19	5.13	5.25	4.50	4.56
six months	3.44	3.94	4.63	5.81	5.56	5.25	5.06	5.25	4.63	4.69
twelve months	3.44	3.94	4.69	5.63	5.44	5.25	5.00	5.25	4.69	4.63
Eurosterling										
one month	10.56	9.13	9.50	14.00	13.56	12.75	12.63	12.69	11.50	11.88
three months	10.44	9.31	9.88	13.88	13.13	12.69	12.44	12.44	11.19	11.63
six months	10.31	9.50	10.00	13.13	12.31	12.44	12.50	12.25	11.00	11.13
twelve months	10.31	9.81	10.19	12.69	11.94	12.13	12.01	11.94	10.88	11.06
Euroyen										
one month	6.75	6.25	6.19	6.50	6.25	6.13	6.31	6.19	6.25	6.44
three months	6.75	6.31	6.19	6.38	6.31	6.25	6.25	6.25	6.31	6.38
six months	7.10	6.38	6.13	6.31	6.31	6.31	6.25	6.25	6.25	6.31
twelve months	6.81	6.44	6.13	6.31	6.31	6.31	6.31	6.31	6.25	6.31
European currency unit										
one month	12.44	8.81	9.25	9.94	10.00	9.38	9.31	9.38	8.50	8.00
three months	12.31	9.19	9.38	10.06	10.13	9.56	9.31	9.38	8.50	8.50
six months	12.00	9.44	9.50	10.13	10.13	9.69	9.38	9.38	8.63	8.75
twelve months	11.19	9.63	9.63	10.13	10.25	9.88	9.50	9.38	8.75	8.88

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years at or near end of month

	1983	1984	1985							
	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States companies										
Eurodollar	11.59	11.25	11.05	11.65	11.73	11.24	10.58	10.49	10.65	10.37
Euromark	7.34	6.95	7.19	7.57	7.35	7.11	6.90	6.91	6.74	6.67
Swiss franc	5.83	5.73	5.85	5.95	5.86	5.74	5.69	5.69	5.69	5.60
European governments										
Eurodollar	12.65	12.04	11.72	12.40	12.29	11.97	11.20	11.17	11.31	11.11
Euromark	8.12	7.39	7.54	7.88	7.61	7.54	7.37	7.38	7.17	6.89
Swiss franc	5.63	5.24	5.17	5.35	5.34	5.21	5.20	5.22	5.16	5.09
European currency unit	11.77	10.64	10.62	10.65	10.44	10.39	10.10	10.17	9.99	10.01

Central bank discount rates

at or near end of month

	1982	1983	1984	1985					Current	
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep 17 1985	effective since
United States	8.50	8.50	8.00	8.00	7.50	7.50	7.50	7.50	7.50	May 17, 85
Canada	10.05	9.96	10.09	10.02	9.76	9.58	9.31	9.20	9.27	Sep 12, 85
Austria	4.75	3.75	4.50	4.50	4.50	4.50	4.50	4.00	4.00	Aug 19, 85
Belgium	11.50	10.00	11.00	11.00	9.50	9.25	9.50	10.00	9.50	Sep 9, 85
Denmark	10.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	8.50	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	Feb 1, 85
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	5.00	4.00	4.50	4.50	4.50	4.50	4.50	4.00	4.00	Aug 16, 85
Ireland	14.00	12.25	14.00	12.75	12.75	12.00	11.25	11.25	10.25	Sep 11, 85
Italy	18.00	17.00	16.50	15.50	15.50	15.50	15.50	15.50	15.50	Jan 4, 85
Netherlands	5.00	5.00	5.00	5.50	5.50	5.50	5.50	5.00	5.50	Feb 1, 85
Norway	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	19.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	Aug 10, 83
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	10.00	8.50	9.50	9.50	11.50	11.50	10.50	10.50	10.50	Jul 12, 85
Switzerland	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	10.00	9.00	9.38	12.25	12.25	12.25	11.31	11.31	11.31	Jul 26, 85
Japan	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Oct 22, 83
New Zealand	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
South Africa	15.45	18.50	21.75	21.25	20.25	19.25	18.25	16.50	16.50	Aug 20, 85
Argentina*	10.56	15.10	18.19	25.82	32.50	6.50	6.00	6.00	n.a.	Jul 15, 85
Korea	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	6.30	8.05	12.11	12.08	12.07	n.a.	n.a.	n.a.	n.a.	May, 85
Singapore	7.00	7.00	6.75	6.00	5.50	5.50	5.00	5.00	n.a.	Jul, 85
Thailand	12.50	13.00	12.00	12.00	12.00	12.00	11.00	11.00	11.00	Jul 26, 85
Venezuela	13.00	11.00	11.00	10.00	9.00	9.00	9.00	9.00	9.00	May 28, 85

*Percent per month.

Day-to-day money rates

monthly averages

	1982	1983	1984	1985							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	8.95	9.47	8.38	8.35	8.50	8.58	8.27	7.97	7.51	7.88	7.90
Canada	10.63	8.78	10.50	9.75	9.88	10.41	10.25	9.75	9.56	9.27	8.97
Austria	6.00	5.75	7.63	6.75	6.50	6.75	6.88	6.13	6.13	6.13	5.38
Belgium	9.29	7.39	9.12	9.22	8.99	9.13	9.45	8.84	8.00	6.97	8.17
Finland	11.50	16.70	15.07	14.57	14.18	14.00	13.96	13.80	13.77	13.60	13.43
France	12.88	12.27	10.95	10.56	10.65	10.67	10.48	10.17	10.22	9.88	9.68
Germany	6.15	5.61	5.62	5.52	5.78	5.85	5.70	5.67	5.52	5.16	4.83
Ireland	14.54	12.19	14.50	14.63	14.75	14.63	13.63	12.63	12.00	11.50	10.75
Italy	19.00	17.88	17.25	16.06	16.00	16.00	15.77	15.46	15.25	15.00	14.53
Netherlands	5.31	5.84	5.60	5.78	5.75	6.93	6.74	7.15	6.81	6.63	5.92
Norway	11.00	12.30	12.50	10.70	12.80	11.60	13.40	12.20	13.00	12.60	12.75
Spain	15.81	16.77	12.11	11.35	12.12	11.99	10.42	12.55	13.93	n.a.	n.a.
Sweden	9.31	11.52	11.88	10.58	13.50	13.50	13.49	14.89	16.00	15.39	15.00
Switzerland	1.25	1.88	1.50	2.63	1.75	2.50	2.00	2.25	2.00	2.00	2.50
United Kingdom	6.70	7.78	6.31	7.38	11.94	10.60	12.38	11.26	10.17	12.45	11.25
Argentina*	11.04	4.56	10.88	10.89	11.14	13.34	14.78	15.12	15.27	15.10	n.a.
Japan	6.92	6.44	6.41	6.17	6.16	6.42	6.07	6.01	6.13	6.17	6.17
South Africa	14.15	16.06	21.13	22.19	21.56	21.50	21.50	19.81	18.60	17.50	16.25
Argentina	12.77	14.65	17.75	18.63	18.63	20.35	23.74	32.00	24.52	5.00	5.00
Brazil	150.42	184.69	272.02	378.76	287.93	337.15	346.05	362.31	239.40	214.19	n.a.
Hong Kong	9.13	13.90	6.80	6.94	6.18	6.15	7.21	5.88	6.35	4.95	2.74
Korea	13.84	11.40	10.00	8.90	9.30	9.70	9.80	9.50	9.00	9.50	9.70
Philippines	16.12	31.16	15.22	23.15	19.80	27.80	23.97	25.12	25.95	n.a.	n.a.
Singapore	11.45	7.05	6.01	5.40	6.07	5.30	4.69	5.75	5.18	4.94	4.37

*Percent per month.

Treasury bill rates

bond equivalent yields, at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	8.15	9.28	7.99	7.88	8.87	8.42	8.08	7.63	7.05	7.40	7.36
Canada	9.80	9.71	9.84	9.50	11.27	10.40	9.77	9.51	9.33	9.06	8.95
Belgium	12.42	11.00	10.90	10.85	10.85	10.60	9.63	9.13	9.02	9.63	9.63
Ireland	15.25	12.01	15.10	14.59	14.54	13.77	13.43	12.21	11.29	10.38	10.43
Italy	19.11	16.95	14.69	13.75	13.46	13.38	14.31	14.22	14.18	14.08	n.a.
Netherlands	5.63	5.63	5.88	6.31	6.51	6.75	7.00	6.75	6.75	6.25	5.75
Spain	15.28	14.46	n.a.	11.97	12.04	10.45	11.85	10.33	10.27	n.a.	n.a.
Sweden	12.90	11.75	11.83	13.53	14.28	14.33	14.47	16.48	16.64	15.04	15.00
United Kingdom	9.96	9.04	9.33	11.89	13.91	12.77	12.26	12.16	12.33	11.30	11.31
Australia	9.39	8.54	12.27	12.22	13.51	14.82	14.72	14.25	13.70	14.70	n.a.
Japan	5.42	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91
New Zealand	11.25	7.80	13.50	17.50	17.45	19.50	23.40	21.00	21.00	24.00	n.a.
South Africa	14.62	18.43	21.94	23.05	23.01	22.45	21.92	18.78	16.00	16.48	15.72
Brazil	115.40	179.15	273.03	273.03	273.03	273.03	273.03	215.12	209.88	223.13	n.a.
Mexico	57.44	53.78	48.67	48.07	50.00	58.15	57.69	63.34	62.47	74.99	n.a.
Philippines	14.54	15.99	47.14	35.69	30.92	34.29	34.22	35.32	33.43	35.32	n.a.
Singapore	2.74	2.59	2.91	2.93	2.93	2.97	2.94	3.07	2.79	2.68	2.79

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	8.94	9.89	8.34	8.17	9.18	8.94	8.39	7.70	7.70	7.85	7.91
Canada	9.95	9.87	10.10	9.65	11.80	10.55	10.20	9.30	9.70	9.25	9.15
Belgium	12.35	11.00	10.70	10.70	10.70	10.45	10.10	9.25	8.90	n.a.	9.60
France	12.75	12.19	10.69	10.31	10.69	10.63	10.31	10.25	10.25	10.00	9.75
Germany	6.20	6.30	5.75	5.85	6.25	6.20	5.90	5.80	5.60	5.00	4.65
Ireland	15.75	12.19	15.13	14.63	14.75	13.75	12.75	12.75	11.69	10.50	10.38
Italy	19.00	17.88	17.25	16.00	16.13	15.75	15.25	15.00	14.75	14.26	14.25
Netherlands	5.25	6.00	5.75	6.50	7.19	6.88	7.13	6.94	6.69	6.13	5.75
Portugal	15.05	24.11	24.57	24.57	24.53	24.61	24.52	n.a.	n.a.	n.a.	n.a.
Spain	16.55	18.48	12.13	12.27	12.22	12.15	12.34	12.49	14.04	n.a.	n.a.
Switzerland	3.88	3.88	5.00	5.63	6.13	5.75	5.38	5.38	5.38	5.38	4.63
United Kingdom	10.50	9.31	9.88	12.50	13.88	13.06	12.56	12.44	12.44	11.13	11.56
Australia	10.65	9.50	12.50	13.55	14.60	15.60	15.70	15.05	15.55	15.15	n.a.
Japan	6.80	6.42	6.29	6.26	6.32	6.27	6.25	6.25	6.30	6.20	6.30
New Zealand	16.75	12.10	15.25	18.75	22.75	25.00	23.50	23.20	24.00	25.30	n.a.
South Africa	15.26	19.12	22.78	24.07	24.12	23.50	22.09	19.35	17.35	17.80	16.50
Chile	55.90	20.68	20.68	20.68	30.42	27.86	38.93	32.85	n.a.	n.a.	n.a.
Hong Kong	10.13	12.84	8.26	7.85	7.64	8.28	7.35	6.96	7.00	6.11	5.41
Indonesia	18.50	19.50	19.00	19.00	20.50	22.00	19.00	18.00	17.50	15.50	15.50
Korea	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	8.50	9.80	10.30	9.50	9.30	10.01	9.50	12.00	7.75	7.00	8.50
Philippines	15.96	15.61	33.21	29.38	26.95	24.73	23.43	26.77	24.90	n.a.	n.a.
Singapore	8.69	8.44	7.00	6.03	6.44	6.06	5.31	5.25	5.31	5.13	4.56
Taiwan	9.94	7.65	8.07	6.78	9.14	7.76	6.45	6.98	6.47	6.79	8.33
Thailand	12.25	16.00	12.00	14.00	17.75	16.50	16.00	14.50	13.00	12.00	12.00

Commercial bank deposit rates

at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	8.25	9.70	8.35	8.06	9.22	8.80	8.25	7.50	7.57	7.95	7.88
Canada	9.85	9.82	10.05	9.60	11.75	10.50	10.15	9.75	9.65	9.20	9.10
Austria	6.25	6.50	7.50	6.94	6.88	6.88	6.88	6.50	6.50	6.38	5.75
Belgium	12.25	11.25	10.63	10.75	10.87	10.25	9.50	9.00	8.75	9.50	9.31
Denmark	9.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	n.a.
Finland	4.25	5.25	5.25	5.25	4.75	4.75	4.75	4.75	4.75	4.75	4.75
France	8.24	7.66	7.04	6.85	6.90	6.90	6.82	6.67	6.69	n.a.	6.49
Germany	6.00	5.90	5.25	5.35	5.55	5.70	5.45	5.30	5.15	4.45	4.25
Ireland	15.25	11.75	14.63	14.25	14.25	13.50	12.00	11.75	11.25	10.00	10.00
Italy	13.25	13.25	11.64	11.00	11.00	10.96	10.96	10.88	10.88	10.86	10.86
Netherlands	5.38	6.13	5.69	6.38	7.06	6.81	7.00	6.81	6.63	6.00	5.69
Norway	13.50	12.75	12.75	12.25	13.00	12.75	12.75	12.40	12.25	12.25	12.00
Portugal	15.00	21.50	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	24.50
Spain	12.53	12.62	11.64	11.34	11.02	10.80	10.61	10.83	10.55	n.a.	n.a.
Sweden	12.15	11.70	11.45	13.10	13.65	13.70	13.77	16.13	16.57	14.95	14.61
Switzerland	3.00	3.50	4.50	5.00	5.75	5.25	4.88	4.88	5.13	4.63	4.38
United Kingdom	10.31	9.31	9.88	13.13	13.75	13.00	12.50	12.38	12.31	11.06	11.31
Australia	10.20	10.40	12.75	13.78	13.82	14.95	15.55	14.93	15.40	14.85	n.a.
Japan	7.00	6.50	6.38	6.42	6.50	6.36	6.36	6.36	6.30	6.35	6.41
New Zealand	16.50	11.50	15.25	17.00	18.75	20.00	23.00	23.50	23.00	24.50	n.a.
South Africa	15.25	20.13	22.88	24.13	23.75	23.63	22.25	20.25	18.00	18.50	17.25
Argentina*	8.50	14.50	31.23	23.42	23.01	25.89	29.59	32.88	7.00	7.00	7.00
Brazil	21.00	23.00	27.00	26.00	25.50	26.50	25.50	25.00	24.00	23.00	n.a.
Chile	47.09	20.57	20.58	20.19	30.29	30.00	38.61	32.85	28.80	29.20	n.a.
Hong Kong	7.50	9.00	7.00	5.50	5.50	5.00	4.50	4.00	3.50	3.00	3.25
Korea	7.60	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	6.40	7.75	9.58	9.50	9.50	9.66	9.42	9.67	8.17	8.17	8.17
Mexico	52.54	57.15	47.45	47.45	47.45	51.89	54.50	55.90	59.50	64.35	n.a.
Philippines	14.10	14.96	31.01	27.07	24.36	22.12	23.88	21.40	25.95	n.a.	n.a.
Singapore	8.25	7.44	6.13	5.44	6.01	5.82	5.01	4.88	5.07	4.88	4.51
Taiwan	7.50	7.00	6.50	6.50	6.50	6.25	6.25	6.25	6.00	6.00	6.00
Thailand	10.00	10.00	13.00	13.00	13.00	13.00	16.00	n.a.	13.00	10.50	10.00
Venezuela	15.50	12.00	12.50	12.00	13.00	11.50	11.50	10.00	10.00	n.a.	9.50

*Percent per month.

Domestic government bond yields

long-term issues, at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	10.61	12.00	11.61	11.28	12.09	11.92	11.64	10.71	10.62	10.91	10.63
Canada	11.69	12.02	11.66	11.38	12.30	11.93	11.50	10.76	10.88	10.91	10.79
Austria	8.81	8.02	8.04	8.00	8.00	8.06	8.06	8.01	7.87	7.77	7.58
Belgium	12.66	11.89	11.56	11.56	11.58	11.50	11.49	10.78	10.34	11.00	n.a.
Denmark	20.14	12.96	14.60	13.66	13.74	13.33	12.67	12.26	12.16	10.76	n.a.
Finland	10.64	11.16	10.73	10.84	10.91	10.39	10.34	10.45	10.46	10.48	10.42
France	15.40	13.96	12.70	12.12	12.25	12.27	11.98	11.72	12.12	11.87	n.a.
Germany	7.90	8.38	7.17	7.35	7.71	7.44	7.30	7.10	7.02	6.88	6.52
Ireland	14.54	14.25	14.90	14.57	14.74	13.55	13.08	13.17	12.71	11.20	n.a.
Italy	19.70	17.69	14.52	13.22	13.25	13.48	13.53	13.85	13.87	n.a.	n.a.
Netherlands	8.16	8.58	7.72	7.42	7.93	8.06	7.73	7.58	7.39	7.23	6.92
Norway	13.32	12.50	12.00	12.50	12.00	12.38	12.38	12.38	12.70	12.70	12.70
Portugal	16.63	22.11	22.23	20.34	20.69	20.21	20.84	21.82	22.23	n.a.	n.a.
Spain	15.92	17.25	13.93	13.29	13.44	13.49	13.41	13.56	n.a.	n.a.	n.a.
Sweden	13.01	12.30	12.04	12.39	13.23	12.93	13.42	13.70	13.48	12.98	13.22
Switzerland	4.23	4.53	4.60	4.68	4.86	4.89	4.75	4.74	4.78	4.80	4.77
United Kingdom	10.62	9.94	10.25	10.65	10.56	10.34	10.42	10.51	10.45	10.16	10.22
Australia	13.00	13.65	13.40	13.12	13.70	13.85	14.05	13.70	13.50	13.50	n.a.
Japan	7.96	7.45	6.36	6.37	7.19	6.97	6.85	6.60	6.53	6.38	6.46
New Zealand	12.84	10.50	16.90	17.09	17.35	17.50	17.95	19.64	17.33	17.86	n.a.
South Africa	11.31	13.64	16.55	17.25	17.85	16.85	16.40	15.85	15.15	15.90	16.20
Philippines	13.64	14.47	18.54	21.15	24.20	13.69	12.75	n.a.	17.00	n.a.	n.a.
Venezuela	15.00	13.50	14.00	13.00	13.50	13.00	12.50	12.50	12.50	12.00	12.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	11.50	11.00	10.75	10.50	10.50	10.50	10.50	10.00	9.50	9.50	9.50
Canada	12.50	11.00	11.25	11.00	11.50	11.75	10.75	10.50	10.50	10.50	10.25
Austria	11.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Belgium	15.50	13.75	14.00	14.00	14.00	14.00	13.50	12.50	12.00	12.00	12.50
Denmark	14.00	10.00	10.50	10.50	10.50	11.00	10.50	10.50	10.50	9.50	n.a.
Finland	8.95	10.18	10.68	10.69	10.30	10.36	10.38	10.37	10.37	10.40	n.a.
France	12.25	12.25	12.00	11.50	11.50	11.50	11.50	11.25	11.25	10.85	10.85
Germany	8.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.25
Ireland	16.50	13.75	15.75	15.75	15.75	15.75	14.50	14.50	14.00	13.25	n.a.
Italy	20.75	18.75	18.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Netherlands	6.25	7.00	6.25	6.75	7.75	7.50	7.13	7.75	7.75	7.25	6.25
Norway	14.50	13.50	13.00	11.50	12.88	12.50	12.50	12.90	12.70	12.90	13.10
Portugal	23.50	30.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	26.00
Spain	19.00	20.85	13.68	13.73	13.71	13.57	13.75	13.76	14.55	n.a.	n.a.
Sweden	15.00	13.50	14.50	14.50	14.50	14.50	14.50	16.25	16.25	15.25	15.25
Switzerland	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	10.00	9.00	9.50	12.00	14.00	13.00	12.50	12.50	12.50	11.50	11.50
Australia	15.00	12.75	13.50	14.25	14.75	16.00	16.50	16.75	17.75	17.50	17.75
Japan	6.28	5.89	5.70	5.70	5.70	5.70	5.70	5.69	5.70	5.69	5.78
New Zealand	13.00	11.00	14.00	14.00	15.00	17.00	n.a.	25.00	25.00	24.00	n.a.
South Africa	18.00	20.00	24.00	25.00	25.00	25.00	25.00	23.00	22.00	21.00	21.00
Argentina*	9.00	15.50	32.05	24.25	23.84	26.71	32.47	37.81	8.50	8.50	9.00
Brazil	23.81	24.00	31.00	30.00	29.50	30.50	26.00	25.50	25.00	24.56	n.a.
Chile	64.11	30.90	60.82	47.30	47.54	51.00	51.16	46.15	47.28	51.47	n.a.
Hong Kong	10.50	13.50	11.00	10.00	10.00	9.50	9.00	8.50	8.00	6.00	7.00
Indonesia	22.00	19.75	23.50	22.50	22.50	23.50	23.00	22.00	21.50	20.75	20.25
Korea	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	12.50	11.00	12.00	12.00	12.00	12.00	12.00	12.00	11.00	11.00	11.00
Mexico	46.12	56.44	47.54	47.17	47.33	49.36	51.93	53.76	54.92	57.00	n.a.
Philippines	18.00	18.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	9.33	8.98	9.40	9.08	9.03	9.03	8.73	8.48	8.28	8.03	7.28
Taiwan	10.75	10.25	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Thailand	16.00	16.00	16.50	16.50	16.50	17.00	17.00	16.50	16.50	16.50	15.50
Venezuela	17.00	16.00	16.00	15.00	15.00	15.00	15.00	14.00	14.00	n.a.	13.50

*Percent per month.

Domestic corporate bond yields

long-term issues, at or near end of month

	1982	1983	1984	1985							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	11.75	12.63	12.25	12.00	13.00	12.50	12.38	11.25	11.25	11.65	11.38
Canada	12.74	12.89	12.42	12.08	12.95	12.46	12.24	11.34	11.27	11.62	n.a.
France	15.86	14.35	12.94	12.44	12.66	12.54	12.40	12.20	12.19	12.06	n.a.
Germany	8.20	8.30	7.20	7.20	7.20	7.30	7.30	7.20	7.10	7.10	6.90
Netherlands	7.80	8.51	7.51	7.33	8.00	8.22	7.87	7.62	7.41	7.28	7.09
Norway	14.13	13.25	12.75	12.75	12.75	13.25	13.25	13.25	13.50	13.50	13.50
Spain	17.10	19.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	13.37	12.21	12.33	12.34	12.67	13.31	13.19	13.80	13.75	13.25	13.25
Switzerland	5.80	4.92	5.09	5.06	5.16	5.24	5.14	5.18	5.15	5.09	5.06
United Kingdom	12.34	11.57	11.64	12.06	11.98	11.55	11.56	11.61	11.54	11.22	11.22
Japan	7.55	7.09	6.21	6.46	6.98	6.93	6.82	6.70	6.63	6.55	n.a.
Korea	16.00	14.20	15.00	14.70	14.70	14.70	14.60	14.70	14.30	14.00	13.90
Venezuela	18.00	18.00	18.00	18.00	18.00	18.00	17.00	17.00	17.00	n.a.	n.a.

World Financial Markets

Published by
Morgan Guaranty Trust Company of New York
International Economics Department
23 Wall Street, New York, NY 10015

Member, Federal Deposit Insurance Corporation. Printed in U.S.A.